

CONSULTANT SERVICES

Project Finance Specialist and Transaction Advisor - Indonesia

A. Introduction

The Millennium Challenge Corporation (MCC) has a requirement to provide project finance and transaction advisory services for a 5-year, \$332 million Green Prosperity Project in Indonesia. The Project aims to provide commercial and grant financing to support investments in small renewable energy (<10MW) and sustainable agriculture/agroforestry projects in a select number of districts and provinces. The Consultant will work on behalf of MCC's resident country mission in Jakarta and its implementation support team in Washington to help oversee and support the implementation of the Project by the Government of Indonesia. In particular, the Consultant will help oversee and advise on the implementation of the Green Prosperity Finance Facility, including assistance with the review and oversight of individual commercial and grant financing transactions funded, or considered for funding, by the Facility. For more information on the MCC, please visit www.mcc.gov.

B. Background

MCC has been working in Indonesia since 2006, helping to improve governance, fight corruption and enhance public health through the MCC Threshold program. This program, which concluded in December 2010, is designed to strengthen key anti-corruption institutions and to create a more efficient and sustainable immunization surveillance system. Indonesia became eligible for an MCC Compact in December 2008 and was re-selected as compact eligible in December 2009 and December 2010. MCC worked with the GOI for approximately three years to develop a five year economic development program that will bring large additional resources to the effort of reducing poverty through economic growth. In September 2011, the Millennium Challenge Corporation's Board of Directors approved a five-year, \$600 million compact with the GOI aimed at reducing poverty through economic growth. The GOI and MCC have determined that the compact will be implemented by an accountable entity called MCA-Indonesia (MCA-I) to be governed by: (i) a board of trustees (to include GOI members as well as private sector and civil society representatives); (ii) a stakeholders committee (to provide advice and input to the board of trustees and the management unit regarding the implementation of the compact); and (iii) a management unit (to be staffed through a competitive recruitment process). The MCA-Indonesia (a trust fund under Indonesian law) has been legally created and the process of hiring staff and developing a well-functioning new institution is currently underway.

To advance the Compact goal of reducing poverty through economic growth, the Compact will fund three projects. The Green Prosperity Project aims to (i) increase productivity and reduce reliance on fossil fuels by expanding renewable energy; and (ii) increase productivity by improving land use practices and management of natural resources. These objectives are consistent with GOI development plans to support low carbon economic development and the protection of natural capital leading to increased household incomes in project areas. The Community-Based Health and Nutrition to Reduce Stunting Project aims to reduce and prevent low birth weight, childhood stunting, and malnourishment of children in project areas, and thereby increase household incomes

through cost savings, increases in productivity, and higher lifetime earnings. Finally, the Procurement Modernization Project aims to (i) achieve significant government expenditure savings on procured goods and services; and (ii) improve the delivery of public services through expenditure of planned budgets.

The Green Prosperity Project

The majority of Indonesia's poor live in rural areas that are rich in natural resources, but high-impact and illegal logging, land conversion for agriculture and mining, and other unsustainable land use practices threaten the country's ability to sustain economic growth and reduce poverty. Lack of clarity about land and natural resource use licensing and the jurisdictional boundaries of villages deters investment and impedes the Government of Indonesia's ability to effectively manage critical natural resources.

Despite the Government of Indonesia's efforts to address the problem, Indonesia remains among the world's top emitters of greenhouse gases. The majority of greenhouse gas emissions result from deforestation, loss of peatlands, and other land use changes; though, emissions from energy and industrial sources are growing rapidly. Many Indonesians, especially in remote rural areas, suffer from a lack of reliable electricity or depend on expensive and unreliable diesel generation.

The Green Prosperity Project (GP Project) seeks to address these critical constraints to economic growth while supporting the Government of Indonesia's commitment to a more sustainable, less carbon-intensive future. A primary goal of the Project is to establish a new and lasting model for developing, financing, and implementing green growth projects at the local level. In doing so, the Project aims to catalyze greater private sector investment in low-carbon growth strategies for Indonesia, spur local entrepreneurship through emerging opportunities in renewable energy and innovative land use practices, and build greater capacity and commitment among government, civil society, and the private sector to the principles of sustainable development.

The centerpiece of the GP Project is a funding facility that will provide commercial and grant financing to support the preparation and implementation of investments in two areas: (i) expansion of renewable energy; and (ii) sustainable management and use of natural resources (the "GP Facility"). These investments are intended to enhance economic growth, reduce Indonesia's carbon footprint, and help align incentives and practices to foster improved environmental stewardship at the local level. Key implementing partners and project sponsors are expected to include local governments and institutions; private enterprises in the agriculture, forestry, water and energy sectors; financial institutions; small-holder farmers; and local and international civil society organizations.

The GP Project is being initiated in two districts (Merrangin and Muaro Jambi) in the province of Jambi and two districts (Mamuju and Mamasa) in the province of West Sulawesi. Additional districts and provinces may be added to the GP Project based on program experience in the two start-up provinces, and mutual agreement between MCC and MCA-I. Districts eligible to participate in the GP Project are selected based on a range of geographic, economic, environmental, and social indicators, including poverty levels, renewable energy potential, economic growth potential, governance, forest cover, and peat lands under threat of degradation or destruction. Districts must have government-approved spatial plans in place and agree to make land use information and licensing processes transparent and accessible.

C. Scope

The Consultant will assist MCC in overseeing the implementation of the GP Finance Facility and Technical Assistance and Oversight activities. In this capacity, the Consultant will help MCC oversee the work of MCA-I and will provide independent assessment of the financing challenges, opportunities, and requirements associated with supporting investments (projects) in the renewable energy, agriculture, forestry, and natural resource management sectors. The Consultant will review and comment on draft versions of the Operations Manual(s) and other technical documents related to the design and implementation of the GP Finance Facility and the deployment of project preparation and advisory services under the Technical Assistance and Oversight Activity. The Consultant will assist MCC with on-going due diligence of similar financing facilities and the experience and capacity of existing financial institutions operating in the geographic areas and sectors in which Green Prosperity will focus. The Consultant will also help review and advise on individual transactions that are funded, or being considered for funding by the GP Finance Facility.

This role will require interaction with the MCA-Indonesia Green Prosperity Project Director and other members of the MCA-Indonesia team, as well as other relevant public and private sector (including NGO and CSO) counterparts. The Consultant will support MCC's Green Prosperity Implementation Support Team (IST), which consists of representatives of each operating unit within MCC that has an on-going responsibility for one or more aspects of the implementation, oversight, or assessment of this project.

The Consultant will report to the MCC Green Prosperity Team Lead in Washington DC and to MCC's Resident Country Director (RCD) in Jakarta. The GP Project Lead is responsible for the leadership of the Green Prosperity IST and for the delivery of results in accordance with agreed-upon implementation plans. The RCD is MCC's primary contact with the Government of Indonesia and MCA-I and has the responsibility for the effective administration of the Indonesia Compact.

D. Tasks

The consultant's assignments shall include the following:

- Provide independent assessment of the financing challenges, opportunities, and requirements associated with supporting investments (projects) in the renewable energy, agriculture, forestry, and natural resource management sectors.
- Review and comment on draft versions of the Operations Manual(s) and other technical documents related to the design and implementation of the GP Finance Facility and the deployment of project preparation and advisory services under the Technical Assistance and Oversight Activity.
- Assess similar financing facilities and the experience and capacity of existing financial institutions operating in the geographic areas and sectors in which Green Prosperity will focus.
- Advise MCC on the financial structuring and related aspects of individual transactions that are funded, or being considered for funding by the GP Finance Facility.

- Advise MCC on opportunities for identifying and developing innovative public-private partnerships and structured financing approaches in the renewable energy, agriculture, and forestry sectors.

E. Deliverables

The Consultant will provide specific deliverables to MCC on an as-needed basis, at the request of the MCC GP Team Lead and/or RCD. Typical deliverables may include:

- Ad hoc report providing comments and recommendations to enhance project implementation, improve project design, and/or strengthen individual investments and transactions
- Trip reports summarizing findings and outcomes from field visits
- Meeting notes

Acceptance Criteria

- The deliverables will be evaluated according to the following criteria:
 - Thoroughness and timeliness in complying with all of the elements in the tasks specified.
 - Quality and clarity of analyses and work produced.
 - Timeliness and efficacy of communications with relevant counterparts affiliated with at MCC, **Indonesia, and any other MCC eligible country**, and other relevant organizations.
 - All reports are to be submitted in English in hard and electronic copy (in MS Word), with tables, data and calculations in MS Excel.

F. Conflict of Interest

The consultant would be precluded from bidding on work and services (design, assessment, construction and supervision) to be procured by the local MCA accountable entity or using funds advanced under a Threshold in the relevant country, unless the consultant submits a mitigation plan sufficient to ameliorate any conflict of interest pursuant to the rules applicable to the procurement process.

G. Period of Performance

Period of performance shall be for one year. The level of effort is 1450 hours.

H. Performance Location

The Consultants shall work principally from his/her home office with required travel to MCC countries as directed by the COR. The position requires occasional domestic travel to GP project areas in the field and periodic trips to MCC's office in Washington D.C.

I. Timing and Reporting

All formal communication with MCC, including reports, will be submitted to the Contracting Officer Representative (COR)/Project Monitor (PM). The COR/PM for this requirement will be identified via separate correspondence.

The COR/PM will have technical responsibility for monitoring the contractor's performance. The COR/PM will review and evaluate the contractor's performance, and also will coordinate any communications with relevant counterparts and other donor agencies and organizations.

Any changes in the terms of the Call Order will be made in writing and approved by the Contracting Officer. No representation of the COR/PM shall serve as a basis for an alteration in the general scope of this Call Order or of the terms and conditions of the Call Order unless confirmed in writing by the Contracting Officer. The contractor must communicate with the Contracting Officer on all matters that pertain to the Contract terms. Proceeding with the work without proper contractual coverage could result in nonpayment for that work.

J. Other Requirements

International travel may be required. The Consultant may be requested to mobilize on a short notice and will be expected to deliver high quality finished products in a timely manner.